

Message Text

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PAGE 01 STATE 048030

71

ORIGIN ARA-20

INFO OCT-01 ISO-00 AID-20 TRSE-00 OMB-01 EB-11 IGA-02

FEA-02 AGR-20 XMB-07 COME-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 /158 R

DRAFTED BY ARA/BC/B:JRBINNS:BDT

APPROVED BY ARA: JBKUBISCH

ARA/BC/B:RLNICHOLSON

ARA/BC:JEKARKASHIAN

AA/LA:HKLEINE

ARA:HWSHLAUDEMAN

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ PRIORITY

C O N F I D E N T I A L STATE 048030

E.O. 11652:GDS

TAGS: EAID, SNAR, BL

SUBJECT:GOB REQUESTS FOR ADDITIONAL LOAN ASSISTANCE

REF: A) LA PAZ 1251 B) LA PAZ 1325

1. WE CONCUR POSITION OUTLINED PARAGRAPH 4, REFTEL B. SUGGEST YOU SEEK EARLY APPOINTMENT WITH FOREIGN MINISTER GUZMAN AND TELL HIM THAT SECRETARY KISSINGER AND MR. KUBISCH GREATLY APPRECIATED RECEIVING THE KIND REMARKS HE RELAYED TO YOU AND HIS ASSESSMENT OF THE POSITIVE RESULTS OF THE MEXICO MFM. WE LOOK FORWARD TO FURTHER PROGRESS.

2. REGARDING GOB REQUEST FOR A DOL 50 MILLION AID LOAN FOR FLOOD RECONSTRUCTION, YOU SHOULD REPLY AS FOLLOWS: USG HAS LIMITED CONTINGENCY FUND AVAILABLE FOR DISASTER RELIEF ASSISTANCE (FYI. DOL 16.0 MILLION WORLDWIDE IN FY 74 OF
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PAGE 02 STATE 048030

WHICH ONLY DOL 325 THOUSAND REMAINS UNPROGRAMMED FOR

BALANCE OF FISCAL YEAR. END FYI.); THESE FUNDS ARE INTENDED FOR IMMEDIATE EMERGENCY DISASTER AID RATHER THAN LONG-TERM RECONSTRUCTION ASSISTANCE. ACCORDINGLY, ASSISTANCE FOR RECONSTRUCTION WOULD HAVE TO COME FROM OUR ALREADY LIMITED DEVELOPMENT LOAN RESOURCES. WE ALSO BELIEVE BOLIVIA'S WINDFALL PETROLEUM EARNINGS WOULD MAKE IT EXTREMELY DIFFICULT TO JUSTIFY ADDITIONAL ASSISTANCE WHILE OTHER LA COUNTRIES ARE UNDER GROWING BALANCE OF PAYMENTS

PRESSURE BECAUSE OF PETROLEUM PRICES, ESPECIALLY IN LIGHT OF TLATELOLCO DECLARATION, SECTION IV (8), SECOND SUBPARA (B) WHICH STATES THE SIGNATORS WILL QTE "COOPERATE THROUGHOUT THE REGION AND IN INTERNATIONAL INSTITUTIONS TO FACILITATE THE FLOW OF NEW CONCESSIONAL AND CONVENTIONAL RESOURCES TO THOSE COUNTRIES MOST AFFECTED BY GROWING ENERGY COSTS" UNQTE.

3. WE ARE WILLING TO COLLABORATE WITH THE GOB IN ASSESSING FLOOD DAMAGE AND RECONSTRUCTION REQUIREMENTS. THIS ASSESSMENT COULD THEN BE USED AS A BASIS FOR REQUESTING LOAN ASSISTANCE FROM THE IDB OR IBRD, AS YOU SUGGEST IN REFTEL B. YOU MAY ALSO ADVISE GUZMAN THAT WE WOULD BE PREPARED TO SUPPORT A REASONABLE REQUEST FOR SUCH ASSISTANCE FROM THE IDB OR IBRD.

4. THE GOB'S REQUEST FOR ASSISTANCE IN COCA CROP SUBSTITUTION HAS BEEN THE SUBJECT OF SEVERAL EXCHANGES BETWEEN THE DEPARTMENT AND THE EMBASSY, MOST RECENTLY AMBASSADOR HANDLEY'S FEBRUARY 25 LETTER TO YOU. AS INDICATED IN THAT LETTER, WE ARE WILLING TO CONSIDER FINANCING ADDITIONAL BASIC RESEARCH ON THE COCA PROBLEM AND HAVE SUGGESTED THAT SOME RESEARCH INTO POSSIBLE SUBSTITUTE CROPS BE INCLUDED IN THE FORTHCOMING AGRICULTURAL SECTOR LOAN PROPOSAL. KISSINGER

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